



## Corporate Presentation

Hoteles City Express

April 2017



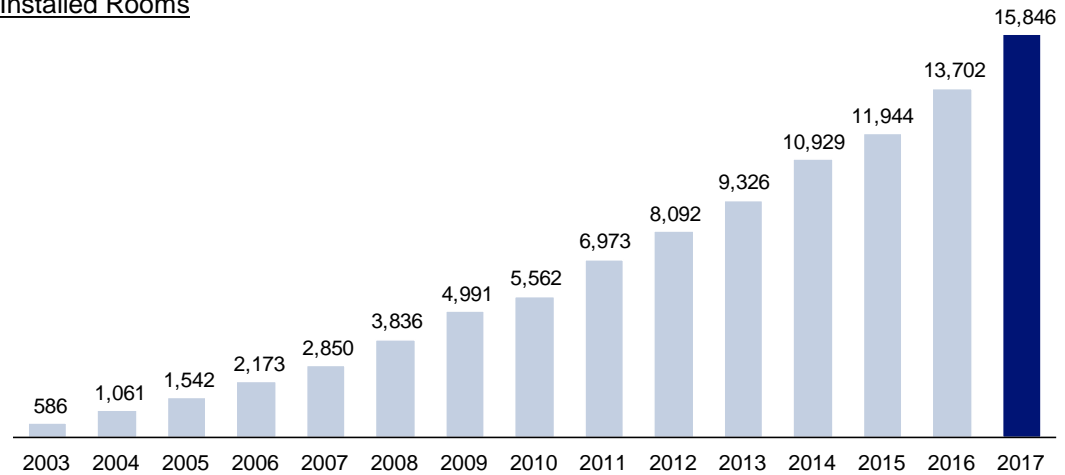
# We are the Leading and Fastest Growing Hospitality Platform in Mexico and LatAm



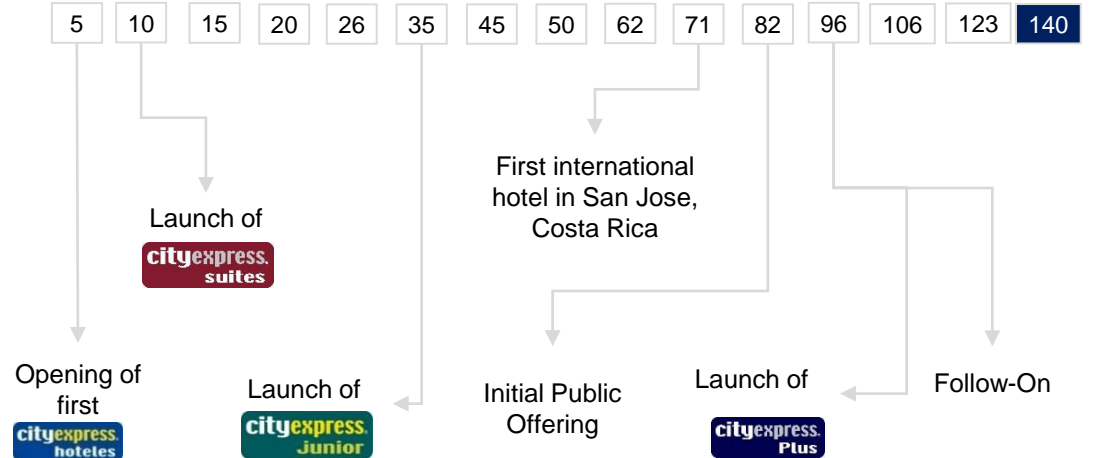
- Fully integrated business platform with exposure to the complete hospitality chain
- Diversified geographic footprint geared towards locations with growth rates larger than average GDP
- Organic expansion potential due to market fragmentation and scarce product formalization from independent hotels.
- State-of-the-Art distribution platform at the forefront of industry trends
- Consistent and profitable growth through strong operating and financial performance

## Historic Chain Growth

### Installed Rooms



### Number of Hotels



# Business Model Tailored to Best Serve our Target Segments



| Description                | <ul style="list-style-type: none"> <li>Flagship Brand</li> <li>Essential amenities</li> <li>Economy segment</li> </ul> | <ul style="list-style-type: none"> <li>City Express product located in Premium locations</li> </ul> | <ul style="list-style-type: none"> <li>Budget segment brand</li> <li>Same quality within smaller rooms</li> </ul> | <ul style="list-style-type: none"> <li>Extended stay brand</li> <li>Apartment-style layout</li> </ul> | <ul style="list-style-type: none"> <li>City Express product within city downtowns with Premium decor</li> </ul> |
|----------------------------|--|---|---|---|---|
| Average Room Size          | 23 m <sup>2</sup> (248 ft <sup>2</sup> )   | 23 m <sup>2</sup> (248 ft <sup>2</sup> )  | 17 m <sup>2</sup> (183 ft <sup>2</sup> )  | 30 m <sup>2</sup> (323 ft <sup>2</sup> )  | 23 m <sup>2</sup> (248 ft <sup>2</sup> )  |
| Average Daily Rate (ADR)   | MXN \$600 – \$1,200  | MXN \$1,000 – \$1,500   | MXN \$500 – \$750   | MXN \$750 – \$1,700   | MXN \$ 1,200 – \$1,600  |
| Rooms per Hotel            | 100 – 150  | 70 - 150  | 105 – 134   | 26 – 120  | 35 – 80   |
| # of Hotels <sup>(1)</sup> | 80   | 14  | 18  | 11  | 1   |
| # of Rooms <sup>(1)</sup>  | 9,259  | 1,876   | 1,992   | 658   | 44  |

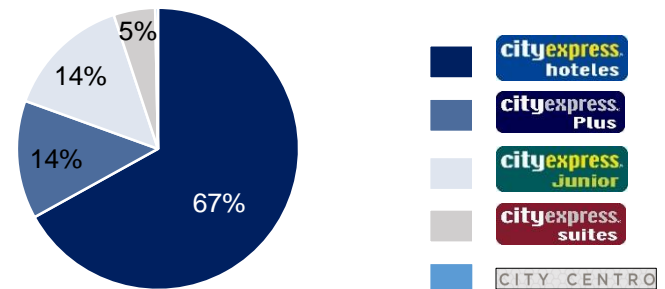
Market Segments



Target ADR (MXN)



Room Distribution by Brand



(1) As of February 2017



# Product Portfolio Focused on Maximizing the Price – Value Ratio

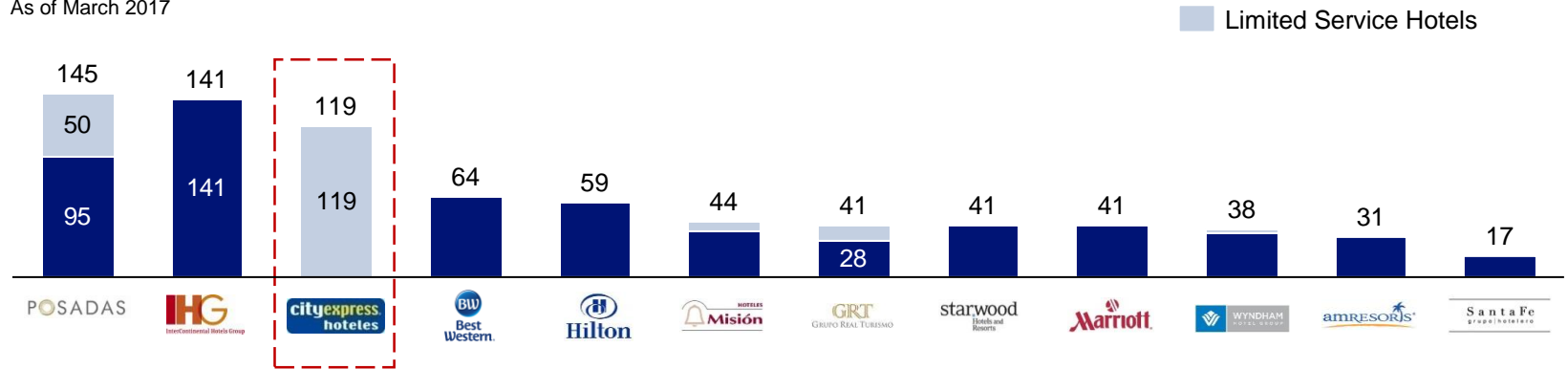


# Largest Chain in our Segment in Mexico



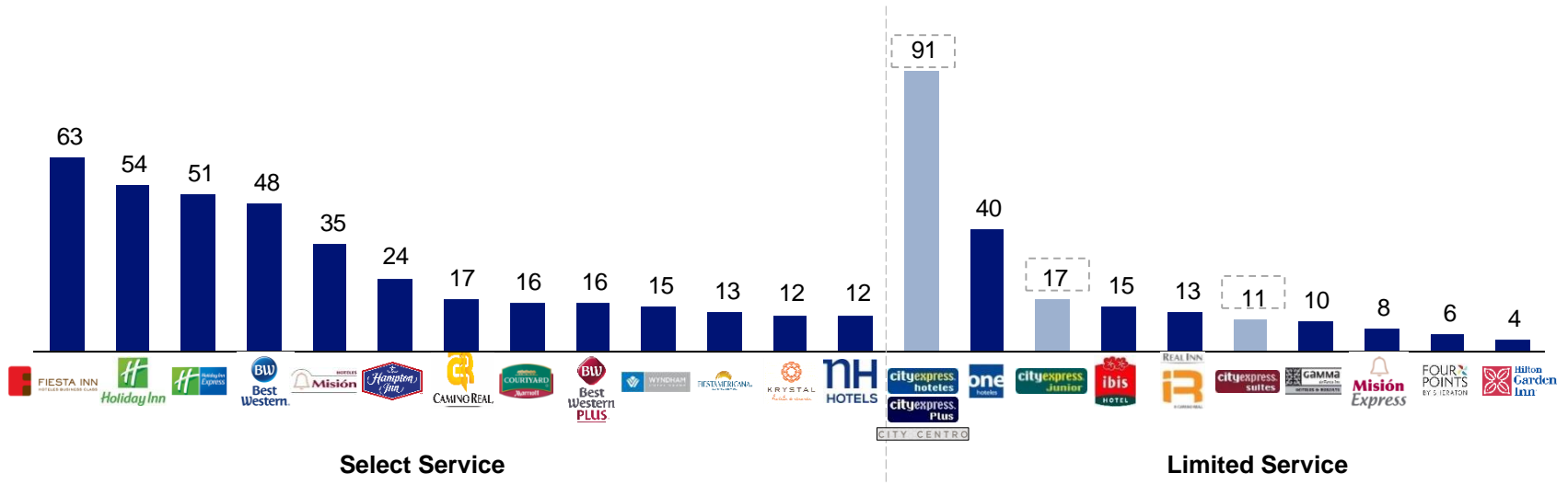
## Number of Hotels by Chain in Mexico

As of March 2017

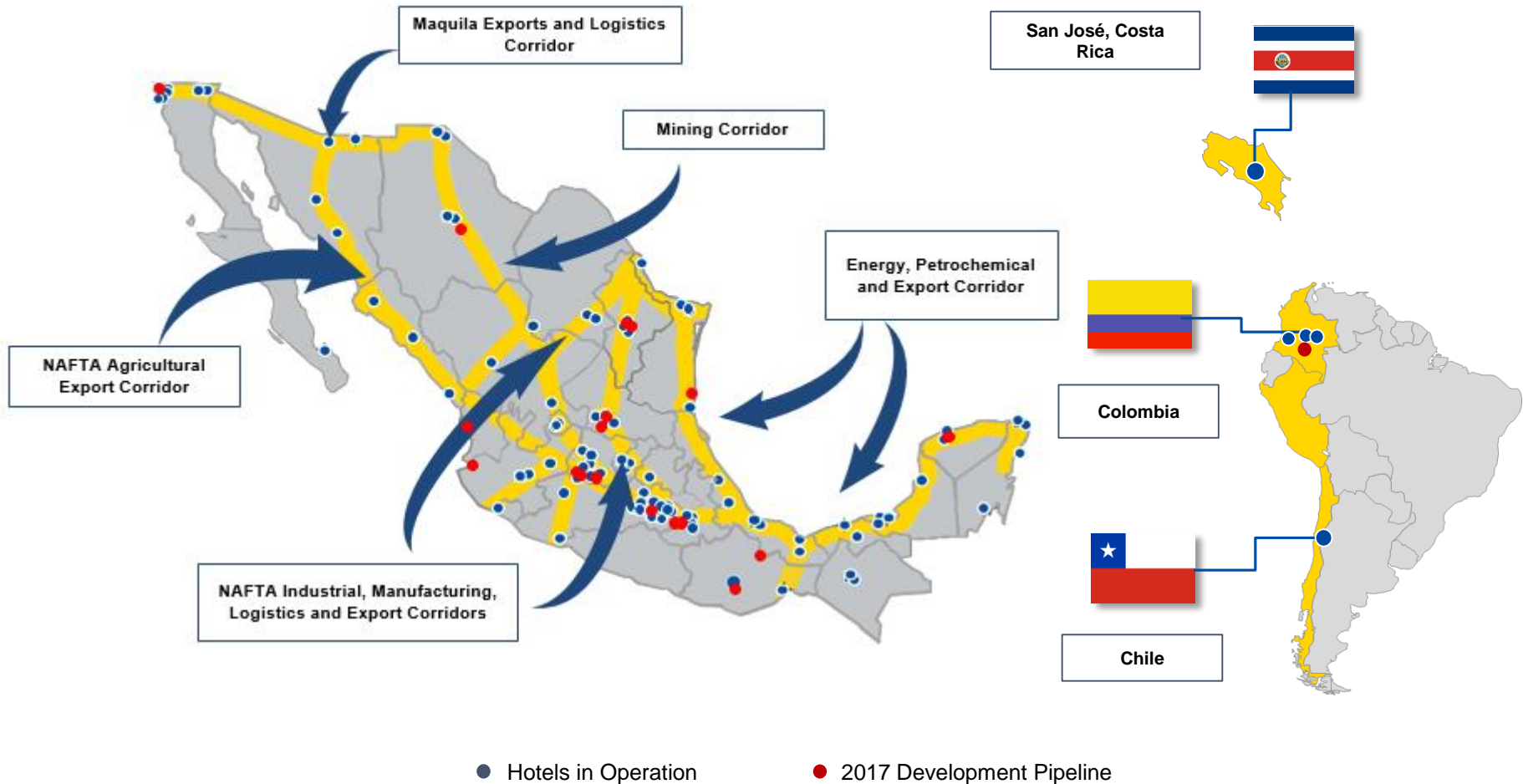


## Number of Hotels by Brand in Mexico

As of March 2017



# Geographic Footprint Geared to Key Drivers of Economic Activity

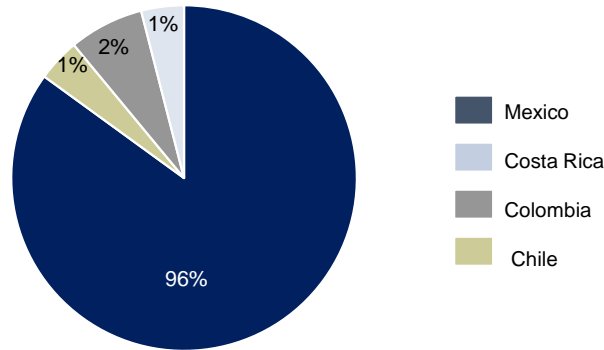


# Wide Geographic, Sector and Industry Diversification



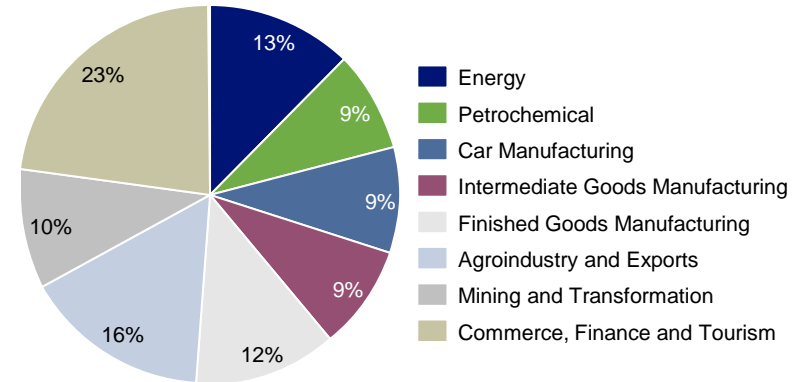
## Geographic Coverage by Country

As of April 2017



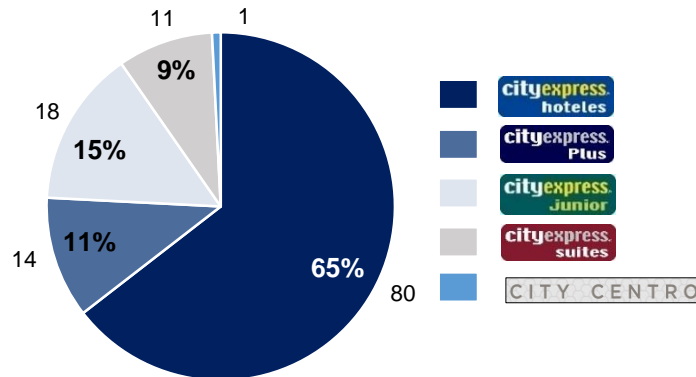
## Presence in Mexico by Economic Activity

As of April 2017, % of Total Portfolio based on Number of Hotels



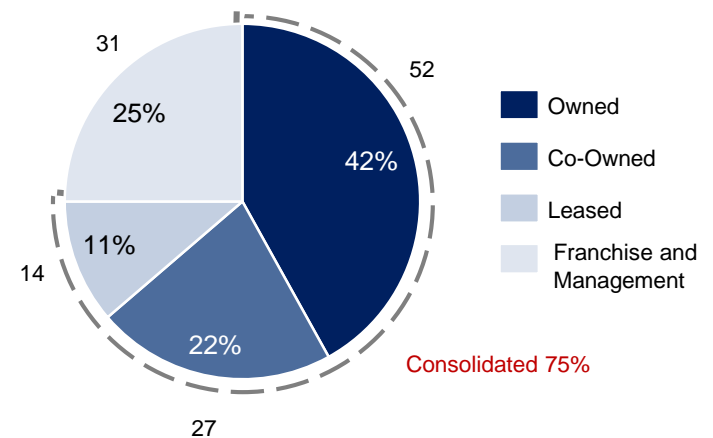
## Hotel Portfolio by Brand

As of April 2017, # of Hotels and % of Total Portfolio



## Hotel Portfolio by Ownership

As of April 2017, # of Hotels and % of total Portfolio







cityexpress  
hoteles

## Macroeconomic & Industry Fundamentals



# Tourism Sector in Expansion

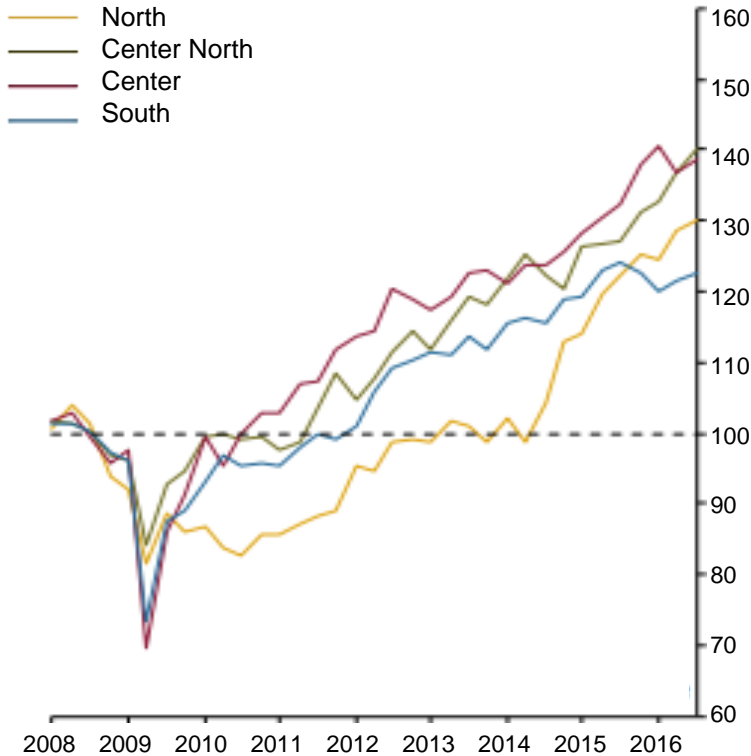
## Regional Indicators of Activity in the Tourism Sector



### Positive Trends on Tourist Arrivals

#### Passenger Arrivals to Airports Index

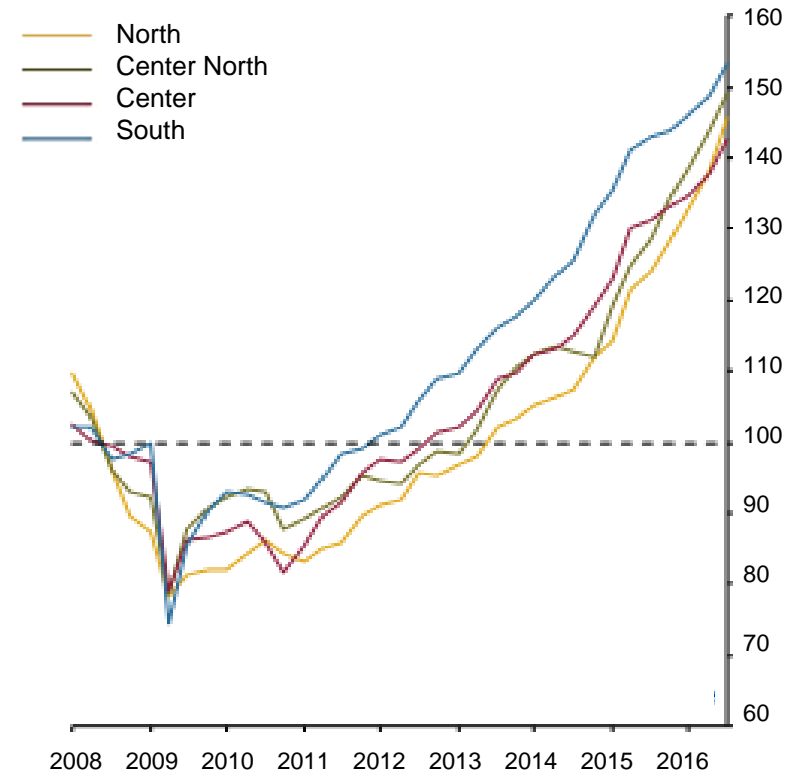
Base 2008 (2008 = 100)



### Adequate Absorption of Installed Capacity that Translates into Increasing Occupancy

#### Hotel Occupancy Index

Base 2008 (2008 = 100)



# Fragmented Industry that Presents Consolidation Opportunities



## Hotel Supply – Fragmented and Dominated by Independent, Non-Standardized Hotels

### Breakdown of Independent and Chained Hotels

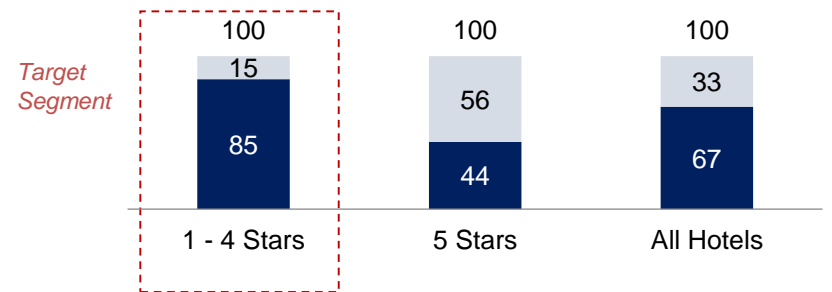
2015 (% of Rooms) ■ Independent ■ Chained



## Hotel Demand – Driven by our Target Customers

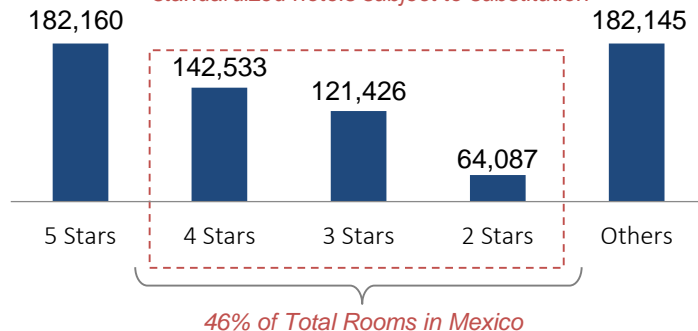
### Occupied Room Nights by Guests' Nationality

2015 (% of Occupied Rooms) ■ Domestic ■ International



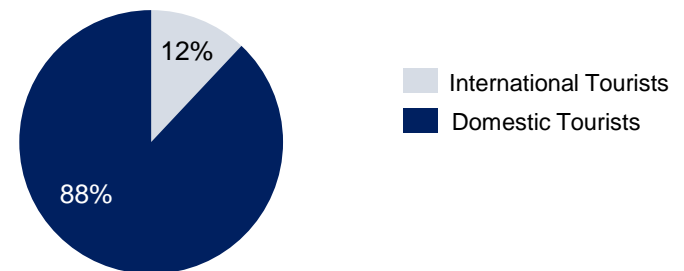
### Hotel Rooms in Mexico by Number of Stars

2015 *Mainly independent., family operated, non-standardized hotels subject to substitution*



### Tourism Spending in Mexico (Tourism GDP)

2015



cityexpress Plus

cityexpress  
hoteles

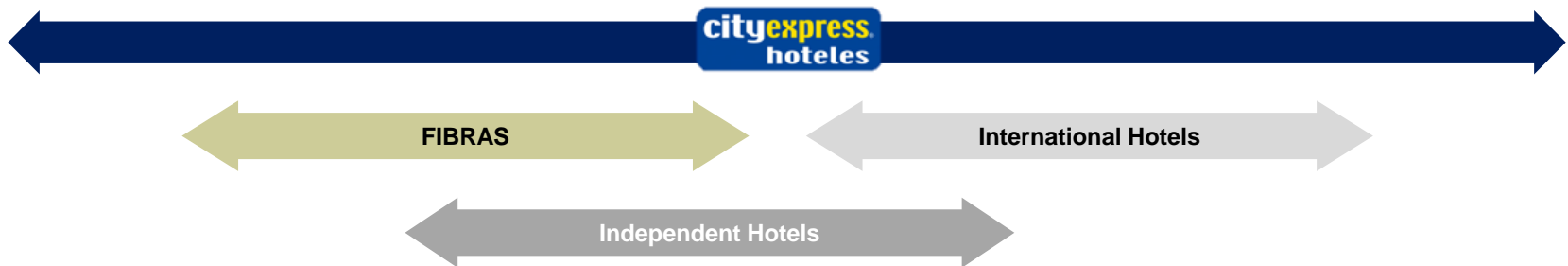
Fully Integrated Business Model



# Integrated Business Platform with Complete Exposure to the Mexican Lodging Industry



| Development   | Hotel Ownership  | Hotel Management & Franchising  | Marketing and Distribution  |
|---|--|---|---|
| <ul style="list-style-type: none"> <li>• <b>22,000+ rooms developed by the Hoteles City Express team</b></li> <li>• Systematic and streamlined design and development                             <ul style="list-style-type: none"> <li>– Low, predictable costs</li> <li>– Benefit from scale in development</li> </ul> </li> <li>• Strong ROIC track record</li> <li>• Control over entry cap rates</li> </ul> | <ul style="list-style-type: none"> <li>• <b>52 owned hotels<sup>(1)</sup></b></li> <li>• <b>27 co-owned hotels<sup>(1)</sup></b></li> <li>• <b>14 leased hotels<sup>(1)</sup></b></li> <li>• Primary focus on ownership and co-ownership of hotels                             <ul style="list-style-type: none"> <li>– 50%+ ownership in co-owned properties</li> <li>– Business partners contribute land and/or equity and local market insight</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• Best-in-class operating margins</li> <li>• Standardized room layouts, furnishings and processes</li> <li>• Brand licensing to third-party hotel owners under management contracts</li> </ul> | <ul style="list-style-type: none"> <li>• <b>Strong brand recognition</b></li> <li>• <b>Vast majority of reservation through own distribution channels.</b></li> <li>• <i>City Premios</i> guest loyalty program</li> <li>• Corporate and local agreements</li> <li>• Targeted and cost-efficient marketing</li> <li>• State-of-the-Art digital and technological platforms</li> </ul> |



(1) As of March 2017; excludes managed and franchised hotels.

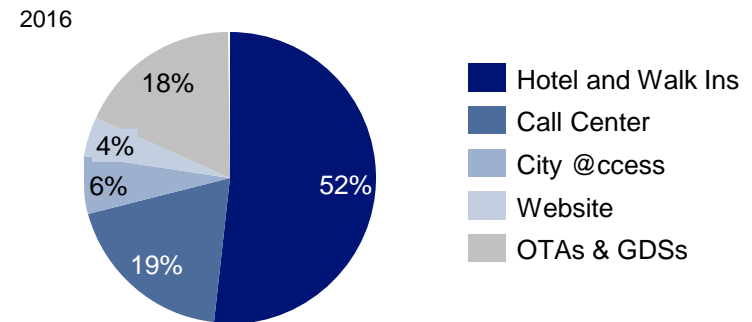
# Innovative and Disruptive Room Distribution Platform



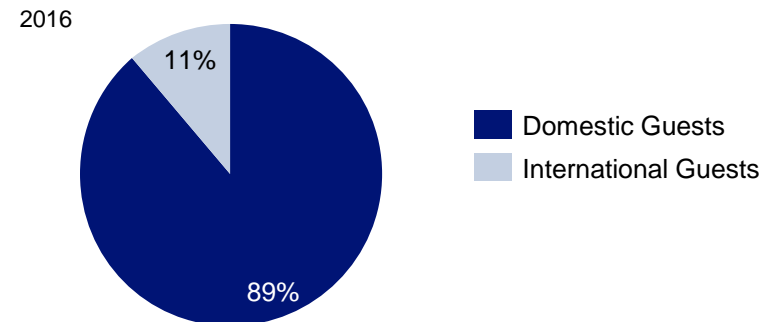
- Innovative technological platform receiving **more than 80% of reservations through own channels**
- Optimized **Yield Management System** executed every day in every property focused on maximizing RevPAR
- *City Premios* –**Loyalty program** with over **450,000 active members** accountable for **19%** of total occupied room nights for 2016
- More **than 8,000 corporate agreements** that account for approximately **40%** of total occupied room nights
- Solid **commercial agreements and partnerships** that turn into sales



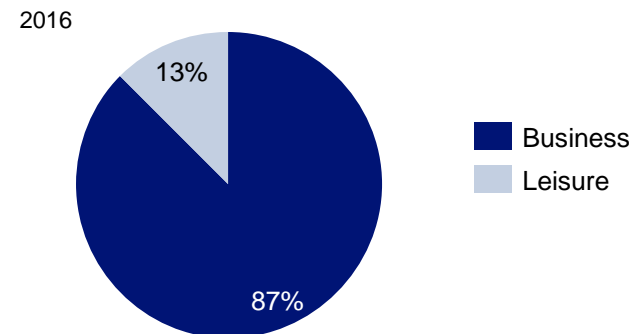
## Room Nights Sold by Channel



## Room Nights Sold by Guest Type



## Room Nights Sold by Travel Purpose



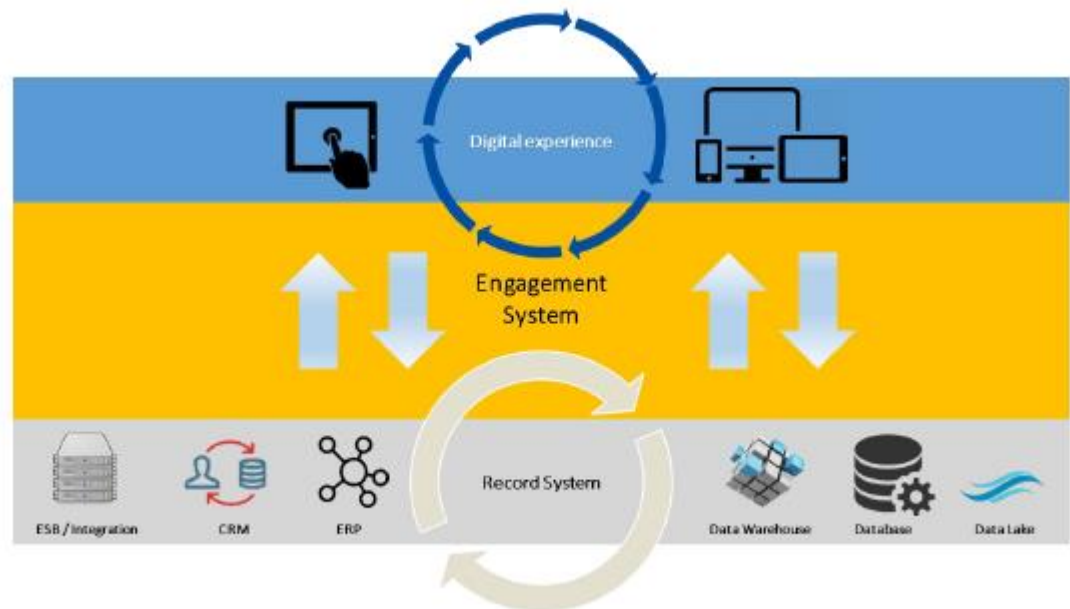
# Organizational Culture

- **Organizational culture** defined by **empowering** our personeel, **being close** to our guests and exploiting our **technology**
- **Sales processes** geared to the **guest cycle**
- System of engagement between the guest's **digital experience** and **usage of collected data** to take decisions.
- **Powerful technological tolos** through a **digital platform** that allows an “online operation”
- **Intensive data-mining** useful for optimal and instantaneous decision-making

## Guest Cycle



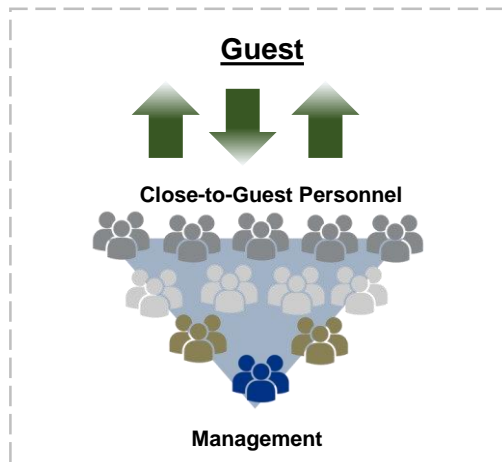
## Link Between Digital Experience and Usage of Collected Data





# Matrix Organization

- **Bulletproof operation system** due to **matrix structures** defined by business processes
- **Personnel empowerment** that allows a **quick, efficient and guest-oriented decisión making**
- **Closeness to the guest** as an “**inverse pyramid**”
- **Channel slaes optimization** maximizing rates and encouraging **profitable commercial drive**



## Matrix Organization by Business Process

| Segment / Channel           |           | Hotel      | Call Center | Website | City Access | OTAs & GDS |
|-----------------------------|-----------|------------|-------------|---------|-------------|------------|
| Segment Leaders             | Groups    | ○          | ○           | ○       | ○           | ○          |
|                             | Wholesale | ○          | ○           | ○       | ○           | ○          |
|                             | Business  | ○          | ○           | ○       | ○           | ○          |
|                             | Leisure   | ○          | ○           | ○       | ○           | ○          |
|                             | Others    | ○          | ○           | ○       | ○           | ○          |
| <b>Branch Directors</b>     |           |            |             |         |             |            |
|                             |           | Operations | Marketing   | IT      | Digital     |            |
| <b>Executive Management</b> |           |            |             |         |             |            |



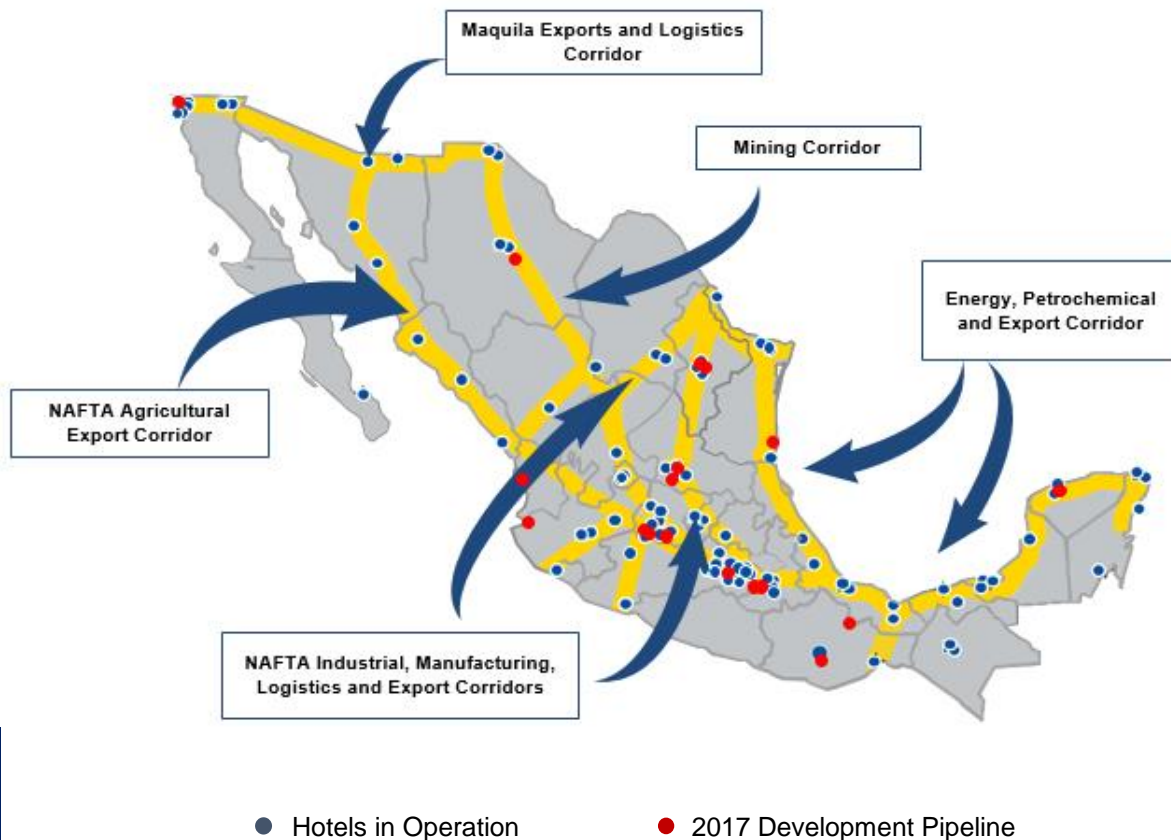
## Development Pipeline



# 2017 Development Pipeline



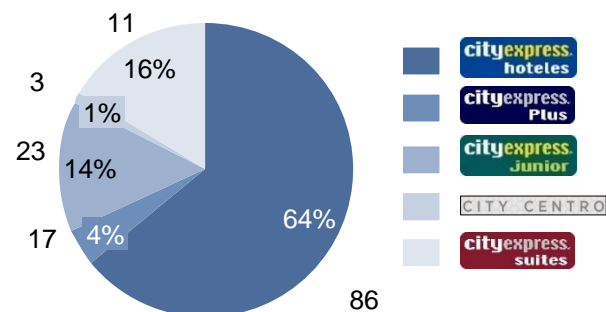
## Development Pipeline Focused on Markets with the Largest Exposition to the Mexican Economy Growth



| Hotel, Room and City Count | 2016   | 2017E  | Change |
|----------------------------|--------|--------|--------|
| Hotels                     | 123    | 140    | 13.8%  |
| Rooms                      | 13,702 | 15,846 | 15.6%  |
| Cities                     | 63     | 68     | 7.9%   |

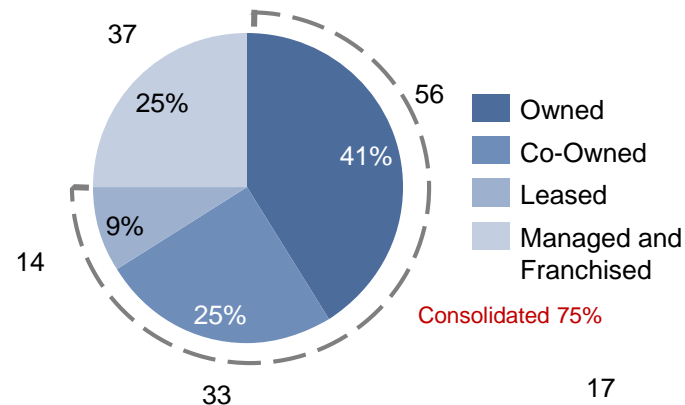
## Hotel Portfolio by Brand

Pro-forma as of End of 2017 Pipeline, % of total rooms



## Hotel Portfolio by Investment Scheme

Pro-forma as of End of 2017 Pipeline, % of total rooms





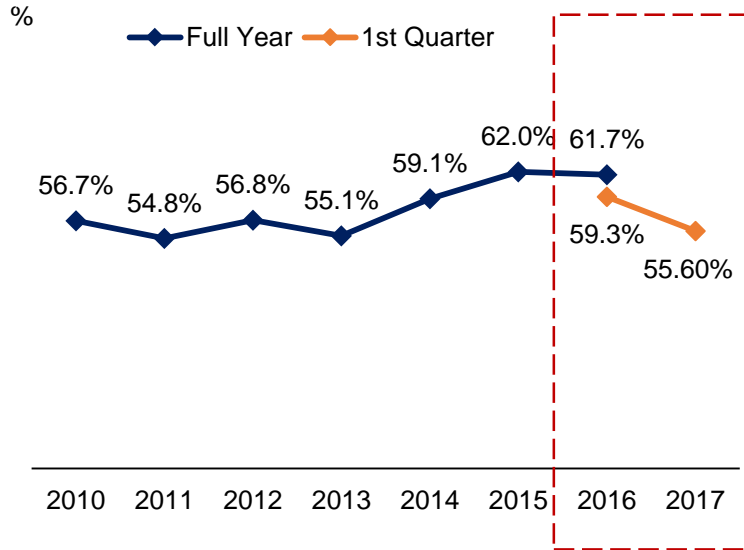


## Operating and Financial Metrics

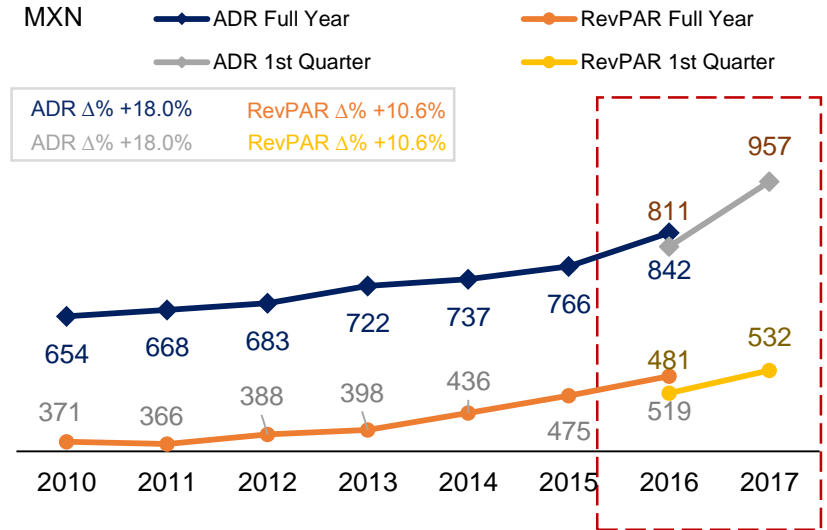
# Sustained Growth in Operating and Financial Metrics



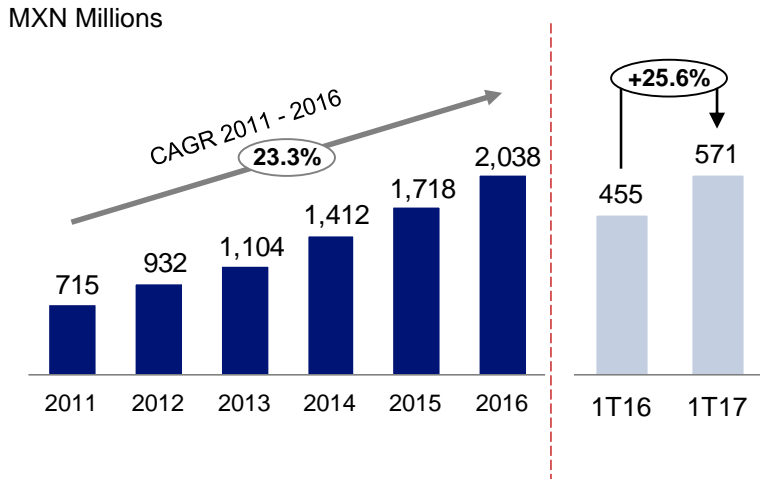
## Occupancy



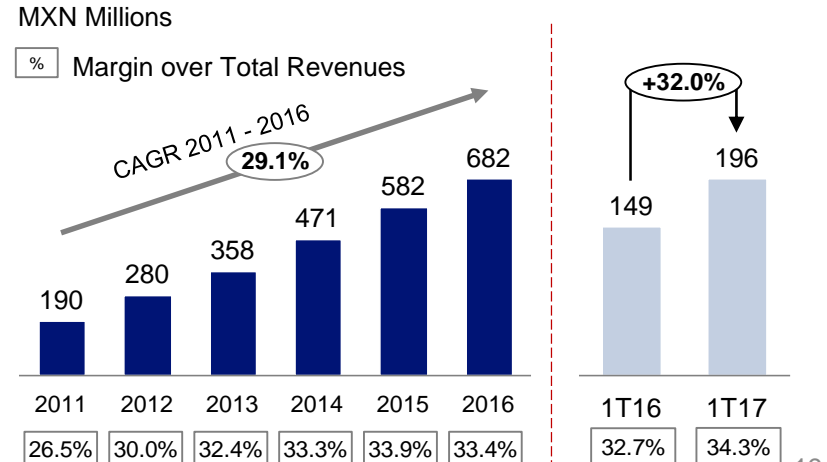
## Average Daily Rate (ADR) and Effective Daily Rate (RevPAR)



## Total Revenues



## Adjusted EBITDA and EBITDA Margin

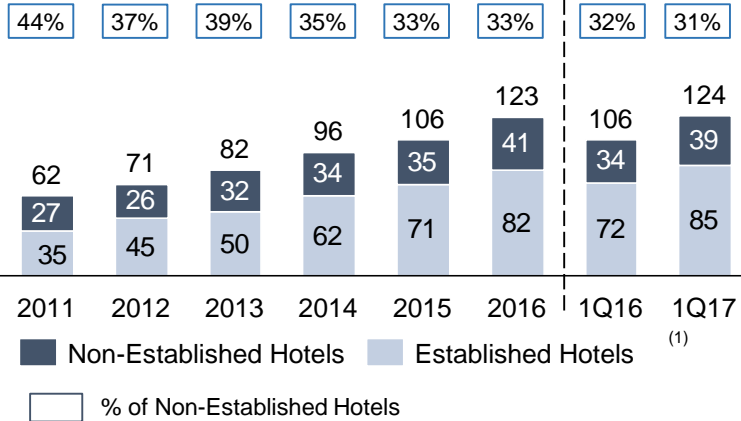


# Significant Embedded Growth in Recently Built Inventory



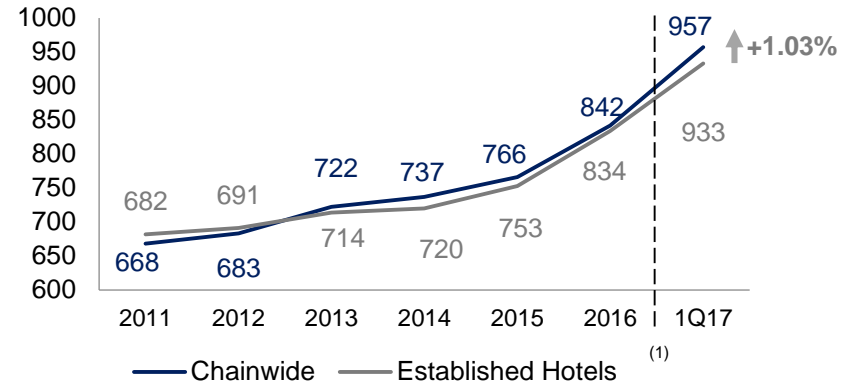
## Number of Hotels in Operation

# of Hotels in Operation at the End of Each Period

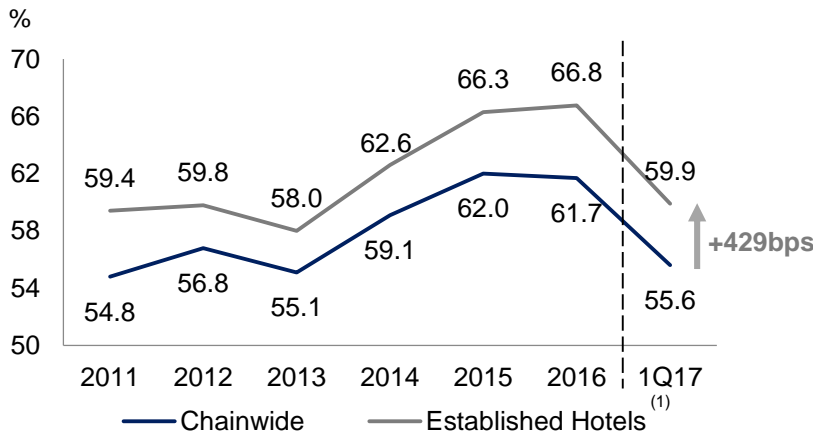


## ADR

MXN

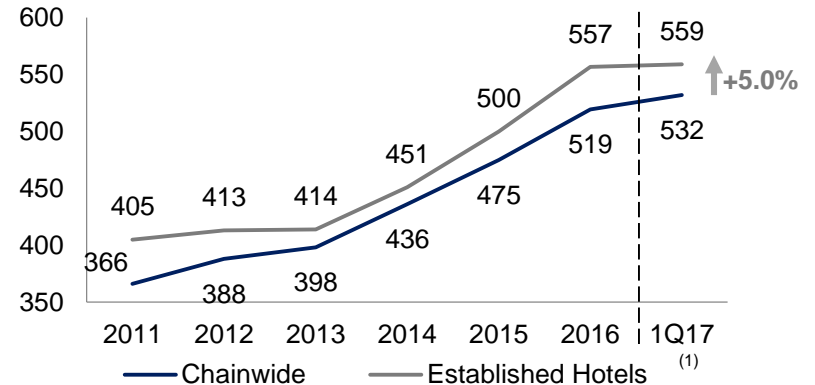


## Occupancy



## RevPAR

MXN



(1) Defined as the hotels with at least 36 months of operation



# A Better Company on All Fronts



|                                    |  | Initial Public Offering<br>(June 2013) | 1st Quarter 2017 |        |
|------------------------------------|--|--|------------------|--------|
| Hotel Platform                     | Hotels / Rooms in Operation                | 72 / 8,201                             | 124 / 13,829     | 68.6%  |
|                                    | Development Pipeline (Projects in Process) | 13                                     | 32               | 146.1% |
| Operating Metrics <sup>1</sup>     | Occupancy                                  | 55.1%                                  | 55.6%            | 50 bps |
|                                    | Average Daily Rate (ADR)                   | \$722                                  | \$957            | 32.5%  |
|                                    | Revenue per Available Room (RevPAR)        | \$398                                  | \$532            | 33.6%  |
| Financial Performance <sup>1</sup> | Total Revenues                             | \$968 MM                               | \$2,154 MM       | 122.5% |
|                                    | Adjusted EBITDA / Margin                   | \$311 MM / 30.5%                       | \$729 MM / 33.8% | 134.4% |

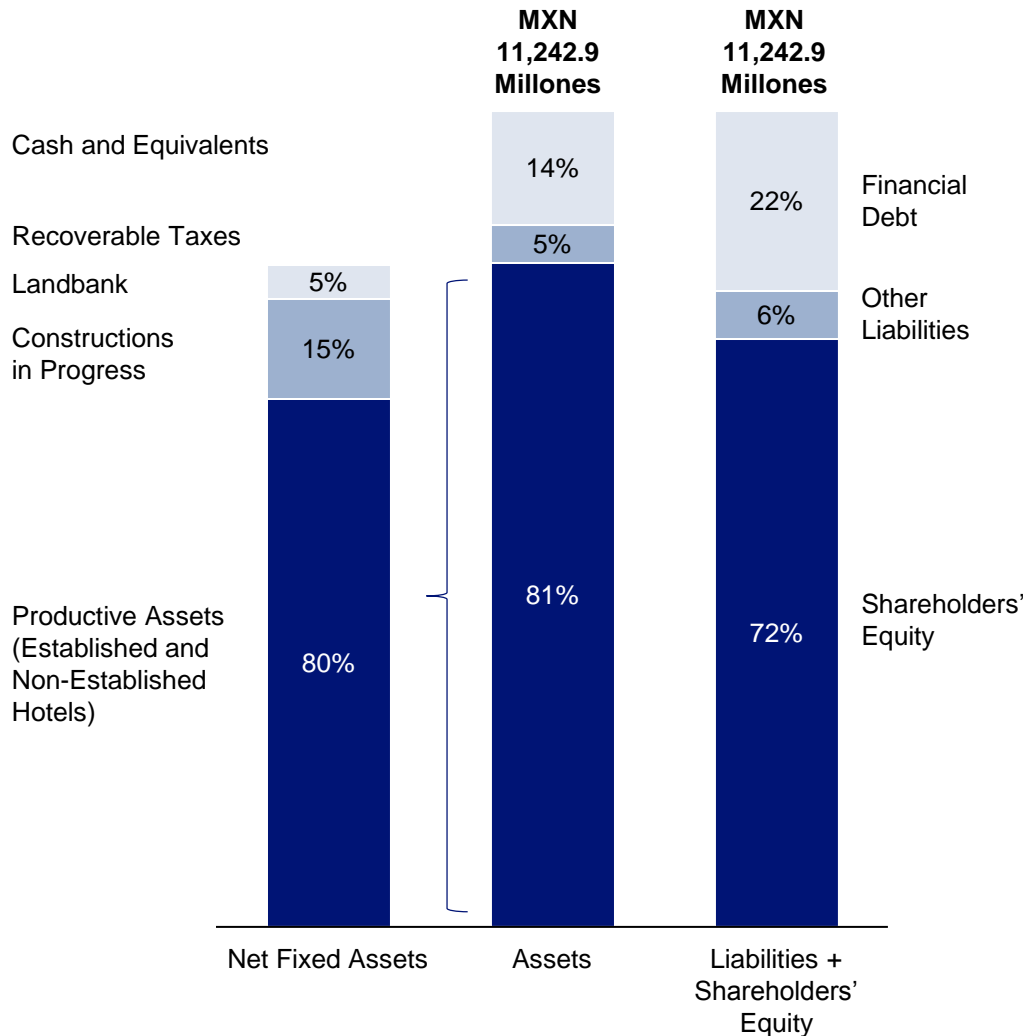
(1) Operating metrics and financial performance calculated considering FY2016

# Solid Capital Structure to Support Growth



## Balance Sheet Structure

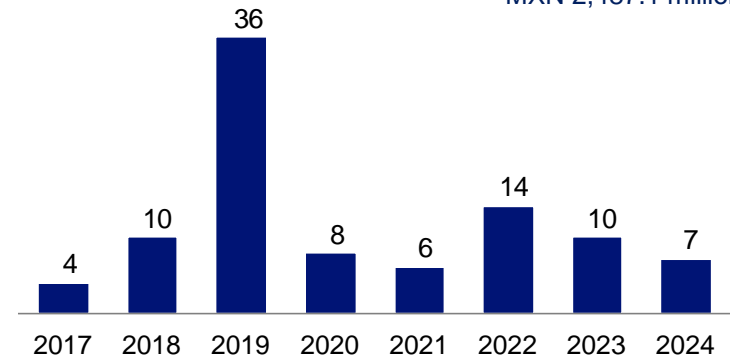
As of March 31, 2017



## Financial Debt Maturity Schedule

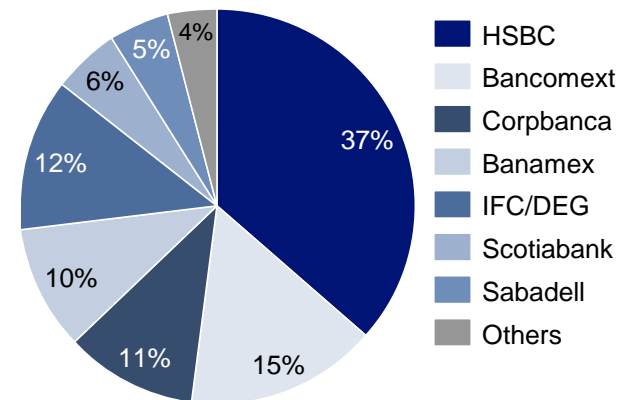
As of March 31, 2017, % of Debt Outstanding

**Total Debt Outstanding:**  
MXN 2,487.1 millions



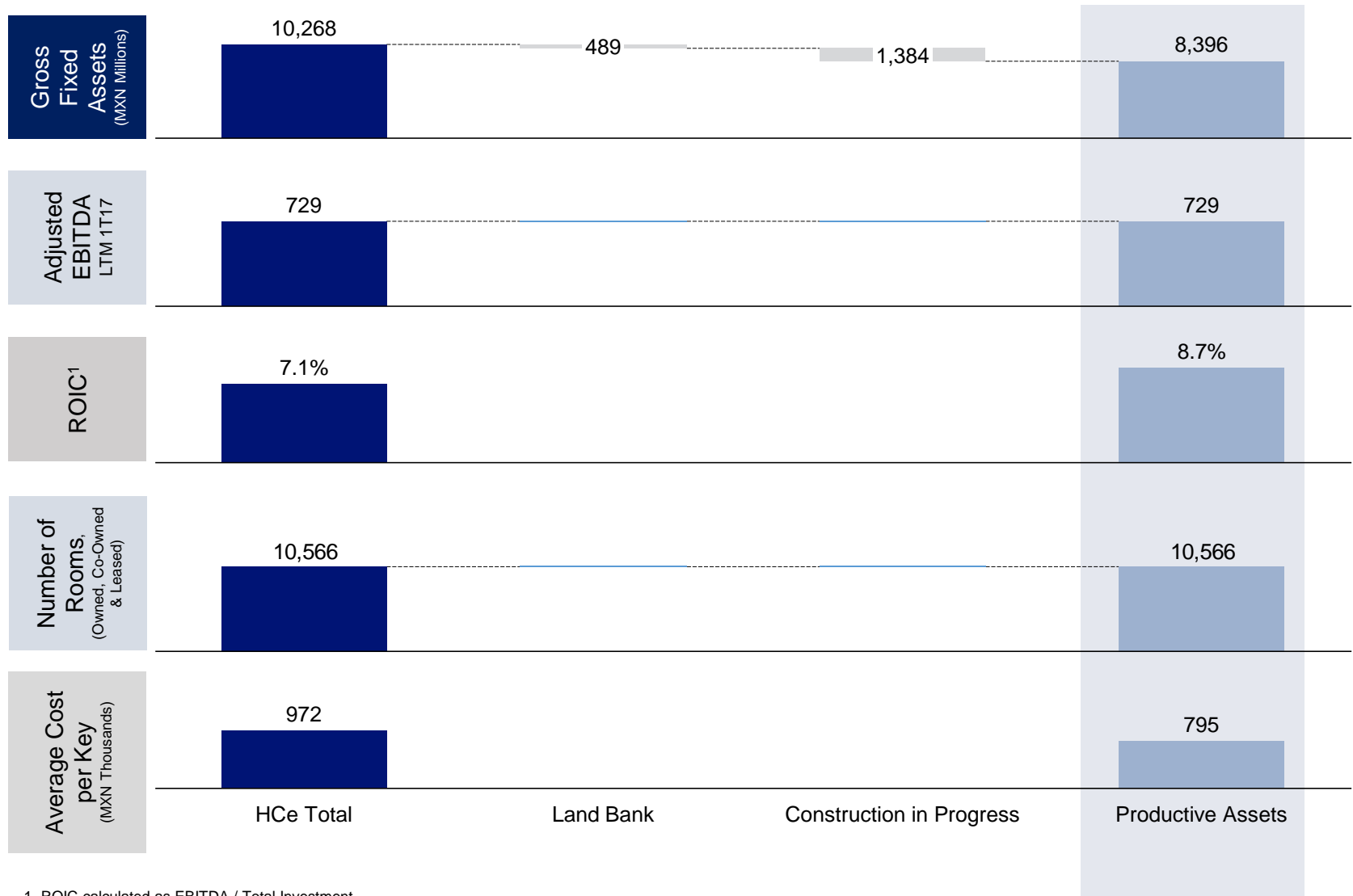
## Access to Diversified Financing Sources

Bank Debt by Counterparty as of March 31, 2017



# Total Assets Breakdown

## Layer Analysis



1. ROIC calculated as EBITDA / Total Investment



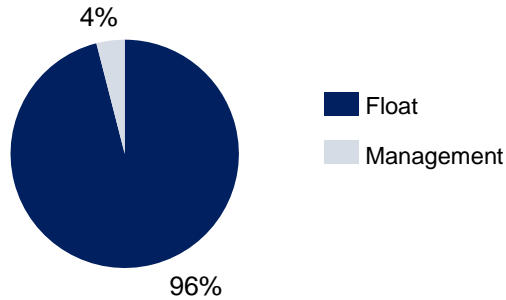
# Corporate Governance and Sustainability



# Robust Corporate Governance Practices and Commitment to Sustainability



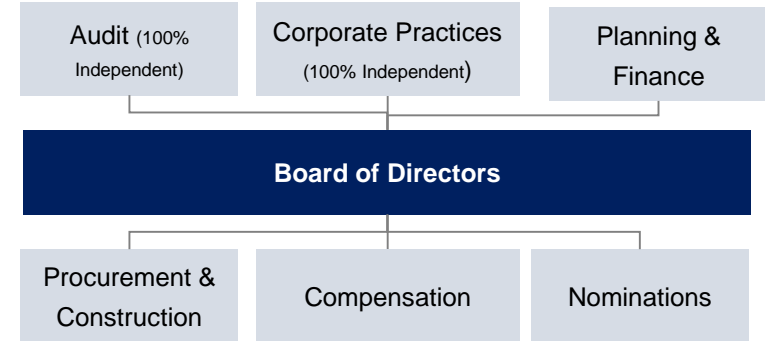
## Broadly Diversified Investors Base



- Mainly independent Board of Directors – 12 out of 13 members are independent

## Committed and Capable Board of Directors

### Board Committees



- Practices aligned to protect minority interests and zero corruption tolerance.
- Corporate Governance Manuals and Policies effectively implemented: <https://goo.gl/vFvNOV>

## Sustainability Strategy that Generates Results

- Sustainability policy and committee** effectively implemented.
- Top environmental practices** and international certifications for hotels.
- Catalyst of positive social, economic and environmental impacts** in all our locations
- Deeply committed with UN's **2030 Goals for Sustainable Development**.

### Portfolio of Certifications



### Strategic Pillars and Initiatives

|               |   |
|---------------|---|
| Economic      | Entrepreneurship program, committed to growing employment opportunities |
| Environmental | Resource optimization and minimization of Carbon Footprint initiatives  |
| Social        | Labor Inclusion and welfare programs for employees                      |



Download our 2015 Sustainability Report

<https://goo.gl/Dknl3C>

# Disclaimer

This presentation has been prepared with information about Hoteles City Express, S.A.B. de C.V. ("HCITY" or the "Company"). The presentation is not intended to be exhaustive and does not necessarily include all the information the receiver should want to be informed of the Company. The forward-looking statements contained in this presentation are based on the current assumptions and outlook of the Company's management. Actual results, performance and events may differ significantly from those expressed or implied in these forward-looking statements as a result of several factors such as the general and economic conditions in Mexico and abroad, interest and exchange rates, future renegotiations, pre-payments of liabilities or loans denominated in foreign currency, changes in laws and regulations, and general competitive factors (regionally, nationally or internationally).

All communications, inquiries and requests for information related to these materials should be directed to the contacts listed below.



**Santiago Mayoral Alvarez**  
Corporate Finance and Investor Relations

Tel: +5255 5249-8050  
[smayoral@hotelescity.com](mailto:smayoral@hotelescity.com)  
[www.cityexpress.com/en/investors](http://www.cityexpress.com/en/investors)



**cityexpress**  
hoteles

**Corporate Presentation**

Hoteles City Express

[www.cityexpress.com/en/investors](http://www.cityexpress.com/en/investors)